



Queste Communications Limited

A.B.N 58 081 688 164

HALF YEAR REPORTS:

**ASX Appendix 4D - Results For Announcement To Market
Directors' Report
Financial Statements
Audit Review Report
Auditor's Independence Declaration**

31 December 2004

www.queste.com.au

QUESTE COMMUNICATIONS LIMITED

A.B.N. 58 081 688 164



Level 14, The Forrest Centre, 221 St Georges Terrace, Perth WA 6000

T | + 61 (8) 9214 9777

F | + 61 (8) 9322 1515

E | info@queste.com.au

CONTENTS

ASX Appendix 4D – Results for Announcement to the Market	2
Directors’ Report	4
Statement of Financial Performance	10
Statement of Financial Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Directors’ Declaration	19
Audit Review Report	20
Auditors’ Independence Declaration	21

www.queste.com.au

Visit our website for:

- Latest News
- Market Announcements
- Financial Reports

Register your email with us to receive latest Company announcements and releases

EMAIL US NOW

info@queste.com.au

CORPORATE DIRECTORY

BOARD

Farooq Khan	(Chairman)
Michael van Rens	(Director)
Azhar Chaudhri	(Director)
Yaqoob Khan	(Director)

COMPANY SECRETARY

Victor Ho

PRINCIPAL & REGISTERED OFFICE

Level 14, The Forrest Centre
221 St Georges Terrace
Perth Western Australia 6000

Telephone: +61 8 9214 9777

Facsimile: +61 8 9322 1515

Email: info@queste.com.au

Website: www.queste.com.au

SHARE REGISTRY

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
Perth Western Australia 6000

Telephone: +61 8 9221 7288

Facsimile: +61 8 9221 7869

STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

QUE

AUDITOR

BDO
Level 8
256 St Georges Terrace
Perth Western Australia 6000

BANKER

National Australia Bank
Level 1, 50 St Georges Terrace
Perth Western Australia 6000

RESULTS FOR ANNOUNCEMENT TO MARKET

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 1 July 2004 to 31 December 2004
Previous Corresponding Period: 1 July 2003 to 31 December 2003
Balance Date: 31 December 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)

Company			Dec 2004	Dec 2003
			\$	\$
Revenue from ordinary activities	up	161.7%	182,674	69,800
Profit (loss) from ordinary activities after tax attributable to members	down		(99,499)	2,284,955
Net profit (loss) for the period attributable to members	down		(99,499)	2,284,955
Consolidated Entity			Dec 2004	Dec 2003
			\$	\$
Revenue from ordinary activities	down	63.8%	6,956,513	19,206,829
Profit from ordinary activities after tax attributable to members	down	93.5%	1,173,488	18,008,441
Net profit for the period attributable to members	down	94.1%	514,335	8,723,540

Dividends

No dividends have been paid or declared during the financial half year.

Brief Explanation of Revenue, Net Profit and Dividends (above)

The Consolidated Entity's results incorporates the results of controlled entity, ASX listed investment company, Central Exchange Limited ("**CXL**").

At the Company Level:

- (a) Revenues from ordinary activities include \$177,750 gross proceeds from the sale of investments (2003: nil).
- (b) Expenses from ordinary activities includes:
 - (i) \$61,151 revaluation of investments(i.e. to reflect unrealised gains on investment) (2003: (\$2,412,919));
 - (ii) \$167,369 cost of investments sold (2003: nil).

Please also refer to the financial statements for the half year ended 31 December 2004 and notes thereto for further details.

RESULTS FOR ANNOUNCEMENT TO MARKET

For and on behalf of the Directors,



.....
Victor Ho
Company Secretary

Date: 24 February 2005

DIRECTORS' REPORT

The Directors present their report on Queste Communications Limited ("**Company**" or "**Queste**") and its controlled entities (the "**Consolidated Entity**") for the half year ended 31 December 2004 ("**Balance Date**").

Queste is a company limited by shares that is incorporated in Western Australia and is listed on the Australian Stock Exchange ("**ASX**").

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. ASX listed Central Exchange Limited ("**Central Exchange**") has been treated as a controlled entity pursuant to Accounting Standard AASB 1024 "Consolidated Accounts" by virtue of the Company being a 48.221% substantial shareholder of Central Exchange as at Balance Date (31 December 2003: 48.817%).

SECURITIES IN THE COMPANY

At the date of this report, there are the following numbers of the Company's securities on issue:

- (i) 28,404,879 listed fully paid ordinary shares;
- (ii) 20,000,000 unlisted partly paid ordinary shares, each paid to one cent with 19 cents per partly paid ordinary share outstanding.

There were no securities issued or granted by the Company during or since the financial half year.

The terms of issue of the Company's 20,000,000 partly paid shares were disclosed in Queste's 2004 Annual Report.

OPERATING RESULTS

	Consolidated Entity		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
	\$	\$	\$	\$
Net profit (loss) before tax	1,663,596	18,843,571	(99,499)	2,284,955
Income Tax expense	(490,108)	(835,130)	-	-
Net profit (loss) after tax	1,173,488	18,008,441	(99,499)	2,284,955

EARNINGS PER SHARE

	Consolidated Entity		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
Basic earnings per share (cents)	1.75	29.67	(0.34)	7.77
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of basic earnings per share	29,404,879	29,404,879	29,404,879	29,404,879

The Company's 20,000,000 partly paid ordinary shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share. The Company's partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share.

DIRECTORS' REPORT

NET TANGIBLE ASSET BACKING

The effects of the Company's 20,000,000 partly paid ordinary shares (which were issued at a price of 20 cents each and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per partly paid share) on the net tangible asset backing ("**NTA**") of the Company and Consolidated Entity have been considered below.

The undiluted NTA backing per share (which includes a representation of the extent (1/20th) to which the partly paid shares have been paid) and diluted (which includes the full effects of all partly paid shares) NTA backing per share as at the Balance Date are as follows:

(1) UNDILUTED FOR PARTLY PAID SHARES

	Consolidated Entity Dec 2004	Dec 2003	Company Dec 2004	Dec 2003
Net tangible assets	\$22,731,616	\$22,120,504	\$12,676,668	\$12,550,233
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Portion of 20,000,000 partly paid ordinary shares (representing the extent to which such shares have been paid, being one cent per share with a balance of the call of 19 cents per share)	1,000,000	1,000,000	1,000,000	1,000,000
Adjusted undiluted total fully paid ordinary share capital	29,404,879	29,404,879	29,404,879	29,404,879
Net undiluted tangible asset backing per share as at Balance Date (cents)	77.31	75.23	43.11	42.68

(2) DILUTED FOR PARTLY PAID SHARES

	Consolidated Entity Dec 2004	Dec 2003	Company Dec 2004	Dec 2003
Undiluted net tangible assets	\$22,731,616	\$22,120,504	\$12,676,668	\$12,550,233
Plus: Proceeds on conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	\$3,800,000	\$3,800,000	\$3,800,000	\$3,800,000
Diluted net tangible assets	\$26,531,616	\$25,920,504	\$16,476,668	\$16,350,233
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Fully diluted total fully paid ordinary share capital of the Company	48,404,879	48,404,879	48,404,879	48,404,879
Net diluted tangible asset backing share as at Balance Date (cents)	54.81	53.55	34.04	33.78

The Directors also note that:

- (a) The Company's undiluted NTA at Balance Date includes \$3,069,292 ascribed to the value of the Company's 6,600,627 units in ASX listed Technology Investment Fund ("**TIF**") at TIF's closing ASX market price at Balance Date of \$0.465 per unit. The NTA of TIF at Balance Date was \$0.53 per unit;
- (b) If TIF's NTA backing was used to value the Company's investments in TIF, the Company's NTA at Balance Date would increase by \$429,040, which translates to an increase of 1.5 cents (to 44.6 cents) in the above undiluted NTA backing and an increase of 0.9 cents (to 35 cents) in the above diluted NTA backing.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

1. Voicenet System VoIP Technology

The Company continues to seek opportunities for the commercial exploitation of its VoiceNet System VoIP telephony technology. The Company has not had any results from the commercial exploitation of its VoiceNet System VoIP technology during the financial half year. No further funds have been provided for the enhancement or further development of this technology.

2. "Aggregation" Strategy

The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is at least \$15 million.

This capital base of \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an "aggregation" process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This "aggregation" process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing in an existing "lead" company or to a new "master" company or via a scheme of arrangement or merger between participating companies. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

In this regard, the Board is considering the Company as a participating company in relation to the aggregation of its funds into another "lead" or "master" company. The aggregation process in such scenario may involve:

- The Company (along with other participating companies) effecting a "transfer" of available NTA to the "master" company in exchange for shares in the "master" company (priced at the "master" company's NTA backing per share);
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the "master" company's shares;
- Such participating companies' shareholders would then become shareholders of the "master" company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);
- The "master" company's NTA would be expanded by the contributions of the NTA of the participating companies – this is with the aim of achieving a minimum capital base of \$15m (referred to earlier);
- Such contributions or transfer of NTA's by participating companies may comprise cash or liquid investments (valued in turn at NTA backing or market as is appropriate);
- In relation to contributions by way of liquid investments, the "transfer" of NTA or market value may involve a share acquisition agreement between the "master" company and a relevant participating company;
- Alternatively, and also in relation to contributions of cash, the "transfer" of NTA value from participating companies to the "master" company may be pursuant to a specific share placement or wider capital raising undertaken by the "master" company;

DIRECTORS' REPORT

- Post aggregation, the balance sheet of the "master" company would comprise its existing pre-aggregation assets and the NTA contributed by the participating companies, being a combination of cash and liquid investments;
- In all of the above "transfer" scenarios, the "master" company would value the shares it would issue at the NTA backing of the company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate – so as to ensure that there is no or minimal "value shift" as between the companies;
- The Company's shareholders would thus have a shareholding in the "master" company in proportion to the Company's contribution (valued at NTA or appropriate market value of liquid assets) into the "master" company and retain their existing shareholding in the Company (which will have a reduced NTA backing post "aggregation").

The final proposed aggregation strategy will be subject to compliance with the Corporations Act and the ASX Listing Rules and a general meeting will be required to consider and approve such "aggregation" process and other matters arising from or incidental to such process. The Board is currently reviewing this aggregation strategy to endeavour to conclude a clear transaction path for such objective.

Pending the announcement of an appropriate "aggregation" strategy, the Board has sought to add value to the asset base and underlying share price of the Company through the pursuit of selective investment and other commercial opportunities.

Such selective investment and commercial opportunities will be pursued with the objective(s) of creating a secure income stream for the Company and/or the acquisition of assets that provide for capital growth with the view to securing a return beyond what would be provided from investing merely in bank bills or cash deposits, pending the finalising of the "aggregation" process referred to above. Investments will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

3. CENTRAL EXCHANGE LIMITED (CXL)

The Company holds 8,303,779 shares in Central Exchange (being 48.22% of its issued ordinary share capital).

In light of such significant shareholding, Central Exchange has been recognised as a controlled entity and included as part of the Consolidated Entity since 1 July 2002.

On 8 July 2004, Central Exchange was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

The investment objectives of Central Exchange are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the board of Central Exchange;
- Deliver a regular income stream for Central Exchange shareholders in the form of franked dividends;
- Preserve and protect the capital of Central Exchange.

Central Exchange seeks to implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories: strategic investments and non-strategic investments.

Queste shareholders are advised to refer to the Central Exchange 2004 Annual Report and monthly NTA disclosures lodged by Central Exchange for further information about the current status and affairs of such company.

Information concerning CXL may be also viewed from its website: www.centralexchange.com.au and CXL's market announcements may be viewed from the ASX website (www.asx.com.au) under ASX code "CXL".

DIRECTORS' REPORT

CORPORATE

3.1. Partly Paid Shares

The Company currently has 20,000,000 partly paid shares on issue which are paid up to 1 cent, with 19 cents still payable (20 cents in total) (the **"Partly Paid"** shares). The Company's undiluted NTA backing is 43.11 cents per share and its fully diluted NTA backing (taking into account the effect of the immediate conversion of the Partly Paid shares) is 34.04 cents per share, as at 31 December 2004.

The Directors believe that the existence of such a large number of outstanding Partly Paid shares relative to the Company's total issued capital is creating a negative sentiment amongst shareholders and investors towards the Company's stock. In particular, the effect of conversion of such Partly Paid shares dilutes the NTA per fully paid share of the Company and given the significant number of such Partly Paid shares on issue, any future increase in the NTA backing of the Company creates the opportunity for a value shift from the holders of fully paid shares to the holder of the Partly Paid shares.

Whilst the Company is able to progressively make calls for the payment of the unpaid portion of the Partly Paid shares, the terms of their issue are such that it could, theoretically, take over 30 years for the Partly Paid shares to become fully paid.

The Directors have therefore decided (as announced on 4 June 2004), as a capital management exercise, to commence discussions with the holder of the Partly Paid shares (which is an entity associated with Azhar Chaudhri, a director of the Company) (the **"Holder"**) with a view to reach a settlement whereby, in exchange for cash and/or ordinary fully paid shares in the Company, the Partly Paid shares are cancelled. If agreement between the Company and the Holder is reached, then a settlement proposal (the **"Settlement Proposal"**) will be put to shareholders for approval at a general meeting. An Independent Expert Report (**"IER"**) will be commissioned by the independent Directors to consider the terms of the Settlement Proposal to ensure it is fair and reasonable to the Company. The IER will be given to shareholders as part of the general meeting documentation.

At the date of this Directors' Report, no agreement has been reached between the Holder and the Company. The Company will advise the market and shareholders if and when a Settlement Proposal has been reached between the Holder and the independent Directors of the Company.

3.2. Technology Investment fund (TIF)

The Company currently (and also as at Balance Date) holds 6,600,627 units (8.9% of total units on issue) in TIF with a market value of \$3,069,292 (at 46.5 cents per unit) at Balance Date and a market value of \$3,036,288 (at 46 cents per unit) as at 22 February 2005.

Central Exchange also held 1,567,043 TIF units at Balance Date (2.1%) with a market value of \$728,675. As at 22 February 2005, Central Exchange holds 2,087,051 TIF units (2.8%) with a market value of \$960,043.

TIF's NTA backing was 53 cents per unit at Balance Date and 52 cents per unit as at 18 February 2005, which is significantly below the approximately 46 cents per unit average entry price of the Company's and Central Exchange's investment in TIF.

TIF has announced in its December 2004 half yearly report and accounts released on 17 February 2005 that:

"During the period, the Directors of the responsible entity announced that a review of the Fund was being undertaken to identify whether opportunities exist for a repositioning of the Fund and/or its investment exposures to the technology markets. The Directors determined it appropriate to focus upon alternative mechanisms to provide Unitholders in the Fund with direct access to the Net Tangible Assets backing per Unit. In light of this review, the on-market buy-back of Units in the Fund was suspended on 6 December 2004."

Shareholders are advised to refer to the 2004 Annual Report and ASX market announcements lodged by TIF for further information about the current status and affairs of the fund.

DIRECTORS' REPORT

DIRECTORS

The names of Directors in office during and since the financial half year are:

1. **Farooq Khan** - Chairman and Managing Director
2. **Michael van Rens** - Non-Executive Director
3. **Yaqoob Khan** - Non-Executive Director
4. **Azhar Chaudhri** - Non-Executive Director

Messrs Azhar Chaudhri and Yaqoob Khan are currently resident overseas.

AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to this Directors' Report.

Signed for and on behalf of the Directors of Queste Communications Limited in accordance with a resolution of the Board,



Farooq Khan
Executive Chairman

Perth, Western Australia

24 February 2005

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
Rendering of services	2	-	659	-	-
Cost of sales	2	-	(2,929)	-	-
Gross Profit		-	(2,270)	-	-
Other revenue from ordinary activities	2	6,956,513	19,206,170	182,674	69,800
Occupancy expenses	2	(25,580)	(32,641)	(12,120)	(18,968)
Finance expenses	2	(3,689)	(2,006)	(875)	(1,251)
Borrowing costs	2	(1,457)	-	-	-
Corporate expenses	2	(109,207)	(113,171)	(7,943)	(26,563)
Administration expenses	2				
- personnel	2	(223,367)	(120,733)	(125,862)	(120,701)
- write down of investments	2	61,151	5,338,926	61,151	2,412,919
- cost of share investments sold	2	(4,516,968)	(5,391,434)	(167,369)	-
- cost of equipment sold	2	-	(2,322,839)	-	-
- cost of property sold	2	-	2,322,839	-	-
- others	2	(473,800)	(39,270)	(29,155)	(30,281)
Profit/ (loss) from ordinary activities before income tax expense		1,663,596	18,843,571	(99,499)	2,284,955
Income tax expense relating to ordinary activities	-	(490,108)	(835,130)	-	-
Profit/ (loss) from ordinary activities after income tax expense		1,173,488	18,008,441	(99,499)	2,284,955
Net profit attributable to outside equity interests		(659,153)	(9,284,901)	-	-
Net profit/(loss) attributable to members of the company	11	514,335	8,723,540	(99,499)	2,284,955
Total changes in equity other than those resulting from transactions with owners as owners		514,335	8,723,540	(99,499)	2,284,955
Earnings per share					
Basic earnings (cents per share)	12	1.75	29.67	(0.34)	7.77
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share		29,404,879	29,404,879	29,404,879	29,404,879

The statements of financial performance should be read in conjunction with the accompanying notes.

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	14	11,660,482	18,201,976	50,407	94,737
Receivables	3	128,459	6,610	33,690	416,124
Other	-	1,710	1,663	1,289	1,663
TOTAL CURRENT ASSETS		11,790,651	18,210,249	85,386	512,524
NON CURRENT ASSETS					
Receivables	-	32,833	27,872	-	13,766
Other financial assets	4	12,539,283	4,973,171	12,637,010	11,706,844
Property, plant and equipment	-	58,202	63,915	29,415	32,317
Other	-	15,412	24,031	-	-
TOTAL NON CURRENT ASSETS		12,645,730	5,088,989	12,666,425	11,752,927
TOTAL ASSETS		24,436,381	23,299,238	12,751,811	12,265,451
CURRENT LIABILITIES					
Payables	5	127,259	249,423	39,261	40,259
Provisions	6	32,682	445,811	-	-
Current tax liabilities	7	1,493,544	1,003,436	-	-
NON CURRENT LIABILITIES					
Provisions	-	51,280	42,440	35,881	30,289
TOTAL LIABILITIES		1,704,765	1,741,110	75,142	70,548
NET ASSETS		22,731,616	21,558,128	12,676,669	12,194,903
EQUITY					
Contributed equity	8	6,087,927	6,087,927	6,087,927	6,087,927
Reserves	9	2,138,012	2,138,012	8,733,670	8,152,405
Outside equity interest	10	10,022,113	9,362,960	-	-
Accumulated profit/(losses)	11	4,483,564	3,969,229	(2,144,928)	(2,045,429)
TOTAL EQUITY		22,731,616	21,558,128	12,676,669	12,194,903

The statements of financial position should be read in conjunction with the accompanying notes.

**STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	659	-	-
Payments to suppliers and employees		(949,082)	(322,178)	(164,622)	(178,099)
Payments to exploration and evaluation		(20,143)	(6,064)	-	-
Income tax paid		-	(336)	-	-
Dividend received		153,114	-	417,324	-
Interest received		318,340	77,847	2,788	69,800
Interest paid		(1,458)	-	-	-
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(499,229)	(250,072)	255,490	(108,299)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(50,000)	(276)	-	(137)
Payments for investment securities		(11,800,479)	-	(477,080)	-
Proceeds from sale of investment securities		6,222,982	48,750	177,750	-
NET CASH (OUTFLOW)/ INFLOW FROM INVESTING ACTIVITIES		(5,627,497)	48,474	(299,330)	(137)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to former unmarketable parcels' shareholders		(1,639)	-	(490)	-
Dividend paid		(413,129)	-	-	-
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(414,768)	-	(490)	-
NET DECREASE IN CASH ASSETS HELD		(6,541,494)	(201,598)	(44,330)	(108,436)
Add opening cash assets brought forward		18,201,976	3,453,811	94,737	3,039,656
CLOSING CASH ASSETS AT END OF PERIOD	14	11,660,482	3,252,213	50,407	2,931,220

The statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of this Half Year Report are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2004.

Comparatives in relation to items appearing on the Statement of Financial Position are as at the last balance date, being 30 June 2004. Comparatives in relation to items appearing on the Statement of Financial Performance are for the previous corresponding period, being for the half year ended 31 December 2003.

1.1 Investments

Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Investments are carried at net realisable value - assessed from the security's current market value and/or underlying net tangible asset ("**NTA**") backing. Expected net cash flows have not been discounted to their present values in determining such value.

Investments in controlled entities were valued at NTA backing as at 30 June 2004 and 31 December 2004. The movement in value from cost is posted to the Asset Revaluation Reserve.

Other investments were valued at their market price as at 30 June 2004 and 31 December 2004. The movement in value from cost is recognised as a revaluation or provision for diminution in value of investments (i.e. unrealised gain or loss on investments) and posted to expenses.

1.2 The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 "*First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*" prescribes transitional provision for first-time adopters.

AASB 1047 "*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*" requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

(i) Goodwill on Consolidation

Under the proposed changes to IAS 22 "*Business Combinations*", goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 10 years.

(ii) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

(iii) Non-Current Investments

Under the pending AASB 139 "*Financial Instruments: Recognition and Measurement*" financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at net realisable value (refer Note 1.1 above) which may accord to the fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

2. PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES

The operating profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company		
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03	
	\$	\$	\$	\$	
(a) Operating revenue					
Sales revenue					
Rendering of services	-	659	-	-	
Other revenue					
Settlement deed payment	-	19,051,014	-	-	
Dividend received	153,114	-	2,135	-	
Interest received - other	318,340	77,847	2,789	69,800	
Proceeds from sale of share investments	6,228,509	48,750	177,750	-	
Net unrealised gains on revaluation of share investments	256,550	28,559	-	-	
Total revenue	6,956,513	19,206,829	182,674	69,800	
(b) Expenses					
Cost of sales and services					
	-	2,929	-	-	
Operating expenses					
Occupancy expenses	25,580	32,641	12,120	18,968	
Finance expenses	3,689	2,006	875	1,251	
Borrowing costs - interest paid	1,457	-	-	-	
Corporate expenses	109,207	113,171	7,943	26,563	
Administration expenses					
Depreciation	5,713	6,919	2,902	3,496	
Personnel expenses	214,527	120,733	120,271	120,701	
Other provisions - Employee entitlements	8,840	10,836	5,591	10,836	
Investment costs	324,957	-	(2,212)	-	
Diminution of investments	(61,151)	(5,338,926)	(61,151)	(2,412,919)	
Doubtful debts provision/ (write back)	-	97	-	-	
Cost of lapsed options	41,291	-	14,061	-	
Other administrative expenses	73,077	15,949	14,404	15,949	
Cost of investment sold	4,516,968	5,391,434	167,369	-	
Cost of intangibles	-	2,322,839	-	-	
Write back of amortisation of intangibles	-	(2,322,839)	-	-	
Exploration expenses	28,762	5,469	-	-	
	5,292,917	363,258	282,173	(2,215,155)	
(c) Sale of Assets					
Sale of assets in the ordinary course of business have given rise to the following gains and losses:					
Net Gain/ (Losses):	Share investments	1,711,541	(5,342,684)	10,381	-

3. CURRENT RECEIVABLES

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Amounts receivable from				
Deposits	50,935	-	935	-
Receivables on sale of investments	5,442	-	-	-
Other receivables	33,085	-	32,755	416,124
GST receivable	38,997	6,610	-	-
	128,459	6,610	33,690	416,124

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

4. OTHER NON-CURRENT FINANCIAL ASSETS	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Shares and options in listed corporations - at cost	12,477,922	5,229,511	3,589,455	3,301,705
Shares in controlled entities - at cost	-	-	2,704,575	2,704,575
	<u>12,477,922</u>	<u>5,229,511</u>	<u>6,294,030</u>	<u>6,006,280</u>
Less: Revaluation/ (Provision) for diminution	61,361	(256,340)	(252,678)	(313,829)
	<u>12,539,283</u>	<u>4,973,171</u>	<u>6,041,352</u>	<u>5,692,451</u>
Add: Goodwill on acquisition	-	-	-	-
Add: Revaluation of shares in CXL (refer to Note 9)	-	-	6,595,658	6,014,393
	<u>12,539,283</u>	<u>4,973,171</u>	<u>12,637,010</u>	<u>11,706,844</u>
Market value of listed investments	17,521,551	13,678,878	8,319,045	11,698,944

(i) The carrying value of the Company's investment in controlled entity, Central Exchange Ltd ("**CXL**"), is based on CXL's NTA backing of \$1.12 per share at Balance Date, valuing it at \$9,300,232 (30 June 2004: \$8,718,968). The closing price of CXL on ASX was 60 cents per share at Balance Date, valuing the investment at \$4,982,267. The Directors believe that CXL's NTA backing is a more appropriate valuation given the Company's controlling interest in CXL.

(a) Investment in Controlled Entities	Ownership Interest	
	31 Dec 04	30 Jun 04
Central Exchange Ltd (A.C.N. 000 742 843)	48.22%	48.22%

5. CURRENT PAYABLES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Trade creditors	35,523	6,665	1,475	1,409
Payables on purchase of investments	14,090	152,933	-	-
Other creditors and accruals	77,646	89,825	37,786	38,850
	<u>127,259</u>	<u>249,423</u>	<u>39,261</u>	<u>40,259</u>

6. CURRENT PROVISIONS				
Dividend payable	32,682	445,811	-	-

7. CURRENT TAX LIABILITIES				
Provision for income tax	1,493,544	991,400	-	-
Deferred tax liabilities	-	12,036	-	-
	<u>1,493,544</u>	<u>1,003,436</u>	<u>-</u>	<u>-</u>

8. CONTRIBUTED EQUITY				
Issued and Paid-Up Capital				
28,404,879 (30 June 2004: 28,404,879) fully paid ordinary shares	5,887,927	5,887,927	5,887,927	5,887,927
20,000,000 (30 June 2004: 20,000,000) partly paid ordinary shares	200,000	200,000	200,000	200,000
	<u>6,087,927</u>	<u>6,087,927</u>	<u>6,087,927</u>	<u>6,087,927</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

9. RESERVES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Option Premium Reserve	2,138,012	2,138,012	2,138,012	2,138,012
Asset Revaluation Reserve	-	-	6,595,658	6,014,393
	<u>2,138,012</u>	<u>2,138,012</u>	<u>8,733,670</u>	<u>8,152,405</u>

The Asset Revaluation Reserve relates to a revaluation of the Company's investment in CXL from a cost of \$2,704,575 to a carrying value of \$9,300,232 at Balance Date.

Please refer to Note 4 for further details about the Directors' determination of the carrying value of such investment at Balance Date.

10. OUTSIDE EQUITY INTERESTS	Consolidated Entity	
	31 Dec 04	30 Jun 04
	\$	\$
Outside equity interests in controlled entity comprises:		
Contributed equity	15,002,284	15,002,284
Accumulated losses	(6,079,978)	(6,739,131)
Reserves	1,099,807	1,099,807
	<u>10,022,113</u>	<u>9,362,960</u>

11. ACCUMULATED LOSSES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Balance at beginning of the period	3,969,229	(4,356,681)	(2,045,429)	(4,347,641)
Net profit/(loss) for the first half of the financial year	514,335	8,723,540	(99,499)	2,284,955
Net (loss)/profit for the second half of the financial year	-	(397,630)	-	17,257
Balance at end of financial period	<u>4,483,564</u>	<u>3,969,229</u>	<u>(2,144,928)</u>	<u>(2,045,429)</u>

12. EARNINGS PER SHARE	Consolidated Entity		Company	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
Basic earnings per share (cents)	1.75	29.67	(0.34)	7.77
Diluted earnings per share (cents)	1.06	18.02	(0.21)	4.72

(a) Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Net Profit/(Loss) (\$)	514,335	8,723,540	(99,499)	2,284,955
Weighted average number of ordinary shares	29,404,879	29,404,879	29,404,879	29,404,879

(i) The Company's partly paid shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's options and partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share. These securities are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share and each partly paid share will become fully paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

12. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share	Consolidated Entity		Company	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:				
Net Profit/(Loss) (\$)	514,335	8,723,540	(99,499)	2,284,955
Weighted average number of ordinary shares (i)	48,404,879	48,404,879	48,404,879	48,404,879
(i) The weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:			31 Dec 04	31 Dec 03
			No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS			29,404,879	29,404,879
Portion of partly-paid ordinary shares that remain unpaid			19,000,000	19,000,000
Weighted average number of ordinary shares used in the calculation of diluted EPS			<u>48,404,879</u>	<u>48,404,879</u>

13. CONSOLIDATED SEGMENT REPORTING

The Consolidated Entity operates predominantly within Australia and in one industry segment, being telecommunications technology.

Segment Revenues & Results	External Revenue		Operating results	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
VoIP Technology	-	659	-	(2,367)
Investments	6,638,173	19,128,323	1,816,108	19,070,346
	6,638,173	19,128,982	1,816,108	19,067,979
Unallocated	318,340	77,847	(152,512)	(224,408)
	<u>6,956,513</u>	<u>19,206,829</u>		
Profit from ordinary activities before income tax			1,663,596	18,843,571
Income tax expense relating to ordinary activities			(490,108)	(835,130)
Loss from ordinary activities after income tax			<u>1,173,488</u>	<u>18,008,441</u>

Segment Assets & Liabilities	Assets		Liabilities	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Investments	12,560,137	4,997,202	(14,090)	(152,933)
Unallocated	11,876,244	18,302,036	(1,690,675)	(1,588,177)
	<u>24,436,381</u>	<u>23,299,238</u>	<u>(1,704,765)</u>	<u>(1,741,110)</u>

Other Segment Information	Investments	
	31 Dec 04	31 Dec 03
	\$	\$
Acquisition of segment assets	11,732,775	-
Other non-cash expenses		
Diminution of segment assets	(61,151)	(5,338,926)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

14. STATEMENTS TO CASH FLOWS

Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity			Company		
	31 Dec 04	30 Jun 04	31 Dec 03	31 Dec 04	30 Jun 04	31 Dec 03
	\$	\$	\$	\$	\$	\$
Cash at bank	403,355	1,740,508	381,875	27,552	72,414	309,775
Term deposit	22,855	22,323	32,955	22,855	22,323	32,955
Bank bills	11,234,272	16,439,145	2,837,383	-	-	2,588,490
	<u>11,660,482</u>	<u>18,201,976</u>	<u>3,252,213</u>	<u>50,407</u>	<u>94,737</u>	<u>2,931,220</u>

15. LEASE COMMITMENTS

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Non-cancellable operating lease commitments:				
Not longer than one year		64,986	129,972	-
		<u>64,986</u>	<u>129,972</u>	<u>-</u>

The lease is in relation to the office premises of Central Exchange Ltd and includes all outgoings. Such expenditure is shared equally with other companies, including Queste Communications Ltd pursuant to shared office and administration expense arrangements.

16. ASSOCIATES AND JOINT VENTURES

The Consolidated Entity did not undertake any investments in associated entities or joint ventures during the financial half year.

17. GAIN/LOSS OF CONTROL OF ENTITIES

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

18. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any material contingent assets or liabilities at Balance Date.

19. SUBSEQUENT EVENTS

In December 2004, Central Exchange Operations Pty Ltd (a wholly owned subsidiary of CXL), entered into a contract to acquire an absolute beachfront residential sub-division property located in Mandurah (south of Perth, Western Australia) for \$3.6 million. The contract is due to settle on or about 2 March 2005. The property is suitable for a 4 unit residential development.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Queste Communications Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of their performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan
Executive Chairman

Perth, Western Australia

24 February 2005



Chartered Accountants
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
Email: bdo@bdowa.com.au
www.bdo.com.au

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF QUESTE COMMUNICATIONS LTD

Scope

We have reviewed the financial report comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes and Directors' Declaration of Quest Communications Ltd for the half-year ended 31 December 2004. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company, a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Queste Communications Ltd is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

BDO

B G McVeigh
Partner

Dated: 24th day of February 2005
Perth, Western Australia





Chartered Accountants
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
Email: bdo@bdowa.com.au
www.bdo.com.au

BGM:IS:JAP:30010

24 February 2005

The Directors
Queste Communications Ltd
Level 14,
The Forrest Centre
221 St Georges Terrace
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS TO
THE DIRECTORS OF QUESTE COMMUNICATIONS LIMITED**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to this review.

Yours faithfully

BDO
Chartered Accountants & Advisers

BG McVeigh
Partner

